

## Message Text

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61

ORIGIN STR-04

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 FEA-01 AF-06 ARA-06 EA-07

EUR-12 NEA-10 IO-10 /132 R

DRAFTED BY STR/HLAWRENCE:JEH

APPROVED BY STR/CYEUTTER

EB/OT/TA:HBREWSTER

EUR/RPE:JMCCARTHY

AF/S:DCHRISTENSEN

EA/EP:AGEBER

ARA/ECP:SFOUTS

NEA/RA:DMORRISON

COMMERCE:SCRAVEN

AGRIC:SWHITEMAN

LABOR:FLAVALLE

TREASURY:MFELDMAN

----- 121681

R 281613Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

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AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID  
AMEMBASSY MANILA  
AMEMBASSY MEXICO  
AMEMBASSY OSLO  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY PRETORIA  
AMEMBASSY ROME  
AMEMBASSY SEOUL  
AMEMBASSY STOCKHOLM  
AMEMBASSY TOKYO  
AMEMBASSY VIENNA  
AMEMBASSY WELLINGTON  
INFO USDEL MTN GENEVA  
USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: MTN: DATA BASE - SUBSIDIES

REF: (A) STATE 213677, 24 NOV 72

(B) STATE 32280, 2L FEB 73

1. IN THE U.S. VIEW, SUBSIDIES IS ONE OF THE MOST IMPORTANT ISSUES IN THE MULTILATERAL TRADE NEGOTIATIONS (MTN). THIS FALL WE INTEND TO SUBMIT TO THE MTN SUBGROUP ON SUBSIDIES AND COUNTERVAILING DUTIES A COMPREHENSIVE DRAFT CODE PROVIDING RULES FOR A BROAD RANGE OF SUBSIDIES ON BOTH AGRICULTURAL AND INDUSTRIAL PRODUCTS. OUR INTENTION IS TO PROPOSE A TRIPARTITE FRAMEWORK OF PERMITTED, PROHIBITED, AND LIMITED OR PROVISIONAL SUBSIDIES. THE PROHIBITED CATEGORY WOULD BE COUNTERVAILABLE WITHOUT ANY CONDITIONS. THE PROVISIONAL CATEGORY WOULD BE COUNTER-LIMITED OFFICIAL USE  
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AVAILABLE UNDER CERTAIN CONDITIONS. THE PERMITTED CATEGORY WOULD NOT BE COUNTERVAILABLE.

2. WASHINGTON'S PREVIOUS REQUESTS FOR INFORMATION FROM POSTS HAVE PRIMARILY FOCUSED ON INDUSTRIAL SUBSIDIES. WE NOW NEED COMPREHENSIVE INFORMATION ON AGRICULTURAL EXPORT AND DOMESTIC SUBSIDIES AND SUPPLEMENTAL AND UPDATED INFORMATION ON DOMESTIC SUBSIDIES FOR INDUSTRIAL PRODUCTS TO ASSIST

IN DETERMINING OUR POSITION ON MEASURES FALLING WITHIN THE THREE CATEGORIES OF THE CODE.

3. SUBSIDIES INCLUDE (A) CLEARLY DEFINED EXPORT PAYMENTS OR BENEFITS, (B) DOMESTIC AIDS WHICH HAVE AN EXPORT STIMULATING EFFECT, AND (C) DOMESTIC AIDS WHICH LEAD TO REPLACEMENT OF IMPORTS BY SUBSIDIZED DOMESTIC PRODUCTION. DOMESTIC AIDS WHICH RESULT IN EXPORT STIMULATION ARE SOMETIMES EXPLICITLY LINKED TO EXPORT PERFORMANCE (SUCH AS GRANTS FOR DOMESTIC CAPITAL INVESTMENT WHICH ARE NOT REQUIRED TO BE REPAYED IF THE PLANT'S EXPORTS INCREASE OVER A GIVEN PERIOD). CERTAIN DOMESTIC AIDS ARE NOT OVERTLY CONDITIONED ON EXPORT PERFORMANCE (E.G., CERTAIN REGIONAL DEVELOPMENT PROGRAMS) BUT NEVERTHELESS HAVE A SIGNIFICANT TRADE DISTORTING EFFECT.

4. TO AID POSTS IN IDENTIFYING DOMESTIC SUBSIDIES HAVING OR LIKELY TO HAVE A SIGNIFICANT TRADE DISTORTING EFFECT, THE FOLLOWING ARE EXAMPLES OF PROGRAMS THAT ARE OF INTEREST: AGRICULTURAL PRICE SUPPORTS; PRODUCTION STABILIZATION PAYMENTS; FARM LOAN PROGRAMS; INTERNAL TRANSPORTATION SUBSIDIES; ECONOMIC DEVELOPMENT GRANTS; REGIONAL DEVELOPMENT PROGRAMS; SPECIAL TAX TREATMENT FOR R&D EXPENDITURES, FOR LUMBER AND MINERAL DEVELOPMENT OR RESOURCE DEPLETION; AND INVESTMENT TAX CREDITS. IN THE AREA OF AGRICULTURAL SUBSIDIES, WE ARE PARTICULARLY INTERESTED IN SPECIAL TAX RELIEF PROVISIONS AND PRACTICES, CONCESSIONARY EXPORT FINANCING AND SEASONAL OR SPORADIC SUBSIDIES, AS WELL AS MEASURES CONTINUOUSLY IN EFFECT.

ACTION REQUESTED.

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5. TO THE EXTENT NOT PREVIOUSLY REPORTED, POSTS ARE REQUESTED TO SUPPLY INFORMATION ON: (A) DIRECT EXPORT SUBSIDIES FOR AGRICULTURAL PRODUCTS AND (B) MAJOR DOMESTIC INCENTIVES FOR BOTH INDUSTRIAL AND AGRICULTURAL PRODUCTS HAVING OR LIKELY TO HAVE A SIGNIFICANT TRADE DISTORTING EFFECT. WE HAVE MORE URGENT NEED FOR INFORMATION REQUESTED IN (A) THAN FOR (B) AND RESPONSES TO THE FORMER SHOULD BE SUBMITTED WHEN COMPLETED IF THERE WILL BE DELAY IN REPORTING ON DOMESTIC INCENTIVES. DO NOT REPEAT INFORMATION ALREADY REPORTED ALTHOUGH ANY CHANGES SHOULD BE NOTED. A FORTHCOMING TELEGRAM WILL LIST THE PREVIOUS REPORTING OF POST USED IN MTN PREPARATION.

6. RESPONSES SHOULD COVER THE FOLLOWING POINTS:

A. DESCRIBE PRINCIPAL EXPORT AND DOMESTIC SUBSIDIES (INCLUDING CONCESSIONARY EXPORT FINANCING). POSTS SHOULD

REPORT SEASONAL OR SPORADIC SUBSIDIES AS WELL AS MEASURES CONTINUOUSLY IN EFFECT.

B. WHAT LAW OR OTHER LEGAL BASIS IS THERE FOR THE USE OF THE ASSISTANCE? IF NOT SPECIFIED IN THE LAW, WHAT IS THE JUSTIFICATION GIVEN BY GOVERNMENT? PLEASE POUCH A COPY OF THE PERTINENT LAW OR REGULATION IF AVAILABLE.

C. IS THE PROGRAM ACROSS-THE-BOARD OR PRODUCT SPECIFIC? IF LATTER, WHICH COMMODITIES ARE AFFECTED? WHAT IS TOTAL COST OF SUBSIDIES FOR EACH PROGRAM. WHAT PERCENTAGE OF THE TOTAL GOVERNMENT BUDGET IS APPROPRIATED FOR SUBSIDY PROGRAMS?

D. IF NO BUDGETARY APPROPRIATION IS MADE FOR A PARTICULAR PROGRAM (E.G., TAX RELIEF MEASURES), CAN SUBSIDY COST BE ESTIMATED, I.E., TAXES FOREGONE?

E. TO WHAT EXTENT DO SUBSIDIES RESULT IN DIFFERENCES BETWEEN EXPORT AND DOMESTIC PRICES OF SUBSIDIZED PRODUCTS?

F. IF IT CAN BE DETERMINED OR ESTIMATED, WHAT PORTION OF THE EXPORT SALES OF SUBSIDIZED PRODUCTS IS ATTRIBUTABLE LIMITED OFFICIAL USE  
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TO SUBSIDIZATION?

G. IS THERE EVIDENCE OF REPLACEMENT OF IMPORTS BY SUBSIDIZED DOMESTIC PRODUCTION? IF SO, TO WHAT EXTENT?

H. DO U.S. INVESTMENTS IN HOST COUNTRIES BENEFIT FROM HOST COUNTRY PROGRAMS?

7. IN THE CASE OF EC BRUSSELS, INFORMATION IN WASHINGTON IS ADEQUATE WITH RESPECT TO THE MAJOR EC SYSTEM OF EXPORT RESTITUTIONS. HOWEVER, WE NEED CURRENT INFORMATION ON EC MEMBERS' NATIONAL PROGRAMS IN ADDITION TO THE EC-WIDE SUBSIDY PROGRAMS.

8. GIVEN SENSITIVITY IN OUR TRADE RELATIONS WITH SOME COUNTRIES OF SUBSIDY/COUNTERVAILING DUTY ISSUE, POSTS SHOULD DRAW ON INFORMATION AVAILABLE TO THEM WITHOUT MAKING OVERT APPROACH TO HOST GOVERNMENTS. IF QUESTION ARISES, YOU SHOULD MAKE CLEAR THAT THIS INFORMATION IS REQUIRED IN PREPARATION FOR NEGOTIATION ON SUBSIDIES IN MTN AND IS NOT RELATED IN ANY WAY TO CURRENT OR POTENTIAL COUNTERVAILING DUTY INVESTIGATIONS BY THE U.S. INGERSOLL

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, SUBSIDIES, COUNTERVAILING DUTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** buchantr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Original Previous Classification:** n/a  
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ATHENS  
BERN  
BONN  
BRASILIA  
BRUSSELS

BUENOS AIRES  
CANBERRA  
CARACAS  
COPENHAGEN  
DUBLIN  
THE HAGUE  
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